

**EAST GRAND RAPIDS  
PUBLIC SCHOOLS  
Kent County, Michigan**

Comprehensive Annual Financial Report

For the year ended June 30, 2005

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Table of Contents**

For the year ended June 30, 2005

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**Financial Section**

<i>Independent Auditor's Report .....</i>	<i>1</i>
<i>Management's Discussion and Analysis .....</i>	<i>3</i>
<i>Basic Financial Statements .....</i>	<i>11</i>
District-wide Financial Statements:	
Statement of Net Assets.....	12
Statement of Activities .....	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet .....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	15
Statement of Revenues, Expenditures and Changes in Fund Balances .....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Fund .....	18
Fiduciary Funds:	
Statement of Fiduciary Net Assets.....	19
Statement of Changes in Fiduciary Net Assets .....	20
Notes to Basic Financial Statements .....	21
<i>Supplemental Information</i>	
Combining and Individual Fund Statements and Schedules:	
General Fund .....	40
Comparative Balance Sheet .....	41
Comparative Schedule of Revenues .....	42
Comparative Schedule of Expenditures .....	43

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Table of Contents (Continued)**

For the year ended June 30, 2005

---

Nonmajor Governmental Funds.....	53
Combining Balance Sheet.....	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	56
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Food Service Special Revenue Fund.....	58
Athletics Special Revenue Fund.....	59
Special Revenue Funds.....	60
Food Service Special Revenue Fund:	
Comparative Balance Sheet.....	61
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances .....	62
Athletics Special Revenue Fund:	
Comparative Balance Sheet.....	63
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances .....	64
Debt Service Funds.....	65
Combining Balance Sheet.....	66
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	68
Capital Projects Funds .....	70
Building and Site Capital Projects Fund:	
Comparative Balance Sheet.....	71
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances .....	72
2000 Construction Capital Projects Fund:	
Comparative Balance Sheet.....	73
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances .....	74
Agency Fund.....	75
Student Activities Agency Fund:	
Statement of Changes in Assets and Liabilities .....	76
Other Information:	
Summary of 2004 Taxes Levied and Collected.....	78

**Federal Financial Assistance Programs Supplemental Information ..... Issued Under Separate Cover**

## **FINANCIAL SECTION**

Hungerford, Aldrin,  
Nichols & Carter, P.C.  
CPAs AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT**

September 8, 2005

The Board of Education  
East Grand Rapids Public Schools

We have audited the accompanying financial statements of the governmental activities, the major funds and the aggregate remaining fund information of East Grand Rapids Public Schools (the "District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major funds and the aggregate remaining fund information of East Grand Rapids Public Schools as of June 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2005 on our consideration of East Grand Rapids Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of East Grand Rapids Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hungerford, Alden, Nichols & Carter, P.C.*

Certified Public Accountants

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2005**

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As management of the East Grand Rapids Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

**Overview of the Financial Statements**

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

**District-wide Statements**

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.



**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2005**

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In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

**Condensed District-Wide Financial Information**

The Statement of Net Assets provides financial information on the District as a whole.

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Current assets	\$ 9,550,197	\$ 9,394,409
Capital assets, net book value	<u>48,634,104</u>	<u>49,943,475</u>
<b>Total Assets</b>	<u><b>58,184,301</b></u>	<u><b>59,337,884</b></u>
<b>Liabilities</b>		
Current liabilities	7,063,855	7,417,040
Long-term liabilities	<u>53,924,233</u>	<u>55,321,802</u>
<b>Total Liabilities</b>	<u><b>60,988,088</b></u>	<u><b>62,738,842</b></u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	(6,691,342)	(6,356,057)
Restricted	669,541	1,063,783
Unrestricted	<u>3,218,014</u>	<u>2,507,501</u>
<b>Total Net Assets</b>	<u><b>\$ (2,803,787)</b></u>	<u><b>\$ (3,400,958)</b></u>

The results of the fiscal year's operations for the District as a whole are presented in the Statement of Activities, which shows the change in total net assets for the year.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2005**

The Statement of Activities presents changes in net assets from operating results:

	<u>2005</u>	<u>2004</u>
<b>Program Revenues</b>		
Charges for services	\$ 1,680,587	\$ 1,634,246
Operating grants	2,404,292	1,793,541
<b>General Revenues</b>		
Property taxes	5,285,521	4,400,638
State school aid, unrestricted	20,401,596	20,155,936
Interest earnings	107,732	48,030
Gain on sale of capital assets	—	28,375
Other	107,496	290,492
<b>Total Revenues</b>	<u>29,987,224</u>	<u>28,351,258</u>
<b>Expenses</b>		
Instruction	15,766,344	15,555,256
Supporting services	9,392,702	8,507,991
Community services	341,036	309,716
Food service	838,719	788,933
Athletics	914,142	857,400
Other	19,398	
Interest on long-term debt	2,117,712	2,866,452
<b>Total Expenses</b>	<u>29,390,053</u>	<u>28,885,748</u>
Increase (decrease) in net assets	597,171	(534,490)
<b>Net Assets - Beginning of Year</b>	<u>(3,400,958)</u>	<u>(2,866,468)</u>
<b>Net Assets - End of Year</b>	<u><u>\$ (2,803,787)</u></u>	<u><u>\$ (3,400,958)</u></u>

**Financial Analysis of the District as a Whole**

The District's financial position is the product of many factors. Historical expenditure reductions and closely monitored spending practices helped ensure the financial stability of the General Fund.

The District's total revenues increased 5.8% to \$30 million. Unrestricted State aid accounted for 68% of the revenues, while property taxes amounted to 17.6% up from 15.5% in 2003-04. This increase is directly attributed to the community's support of a 1.4 mill recreation levy to maintain programs. Another 8% came from state and federal aid for specific programs and the remainder from fees charged for services, interest earnings and miscellaneous sources.

The total cost of all programs and services increased 1.8% to \$29.4 million. While retirement and insurance expense rates increased at a higher rate, the District's budget committee worked to develop a comprehensive budget plan which maintained academic programs for students in East Grand Rapids.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2005**

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Revenues surpassed expenses by \$597,171 on the Statement of Activities, increasing Unrestricted Net Assets to \$3,218,014 at June 30, 2005.

The recent stability of the District's finances can be attributed to steady to slightly increased student enrollment and proactive budgeting and outstanding Community support.

- Budgets for 2004-05 were based on flat enrollment in fall count. Actual enrollment rose slightly resulting in a small increase in State Aid.
- The community fund drive for the Jimmy Gerken Plaza and other outdoor athletic facilities continued to be received. Receipts for 2004-05 totaled just over \$300,000 leaving a balance in donations owed over the next fiscal year totaling \$258,428.
- The support expressed by the community in the 1.4 mill recreational millage increase resulted in increased revenue of \$646,924.

The District has also worked to reduce costs in many areas through collaboration with other districts, changing contracted vendors, utilization of governmental reimbursement programs where possible and just shopping for the best price:

- The District offered an early retirement incentive to professional staff, which allowed the district to reduce positions through attrition.
- The District continues to optimize revenue and reduce expense through the Federal E-Rate program and cooperative contracts for the purchase of utility services.
- The District partnered with Regional Schools through KISD to create a regional transportation program for Special Education creating efficiencies and future additional revenues.
- The District receives a base payment from Nextel and AT&T for an antenna at Memorial Field, as well as an annual accrual payment from Coca Cola through the KISD Beverage Consortium.

The administration will push to increase these and other costs saving programs for the next fiscal year. As State revenues level out or actually decrease, it will be essential that the District continue to try to reduce expenditures and maximize revenues.

- Local revenues including property taxes and major donations accounted for \$2.44 million, or about 9.7% of all revenues.
- Most of the District's costs were financed by State Aid which represented 81.6% of General Fund revenues.
- In 2005-06 the district will realize cost savings from leading the process to create the first regional self-funded employee benefits pool.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2005**

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**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or difference) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

**Financial Analysis of the District's Funds**

The District uses funds to record and analyze financial information. East Grand Rapids Public School's funds are described as follows:

**Major Funds**

General Fund

The General Fund is the primary operating fund. The General Fund had total revenues of \$25,123,246, total expenditures of \$23,837,568, and total other financing uses of \$452,414. It ended the fiscal year with a fund balance of \$2,981,187, up from \$2,147,923 as of June 30, 2004 for an increase of \$833,264.

Building and Site Fund

The Building and Site (Sinking) Fund is funded by annual property tax levies which are utilized to improve District facilities. Current year revenues totaled \$240,532 and expenditures of \$484,827 leaving a remaining fund balance at June 30, 2005 of \$967,177.

**Nonmajor Funds**

Special Revenue Funds

The District operates two Special Revenue Funds, for the food service and athletic programs. Total revenues were \$1,193,054 and other financing sources (inter-fund transfers) were \$433,016, with total expenditures of \$1,648,313. Both funds continued to meet financial expectations resulting in ending fund balances of \$2,473 for Food Service and \$38,587 for Athletics.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2005**

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Debt Service Funds

The District operates four Debt Service Funds. Total revenues were \$3,724,765 and total expenditures were \$3,875,192. Total other financing sources of \$26,798,817 represented the proceeds of the advance bond refunding completed during the year and total other financing uses of \$26,653,600 represented the payment to the escrow agent for the refunding. The ending fund balances in the Debt Service Funds were \$77,948.

Capital Projects Funds

There is one nonmajor Capital Projects Fund incorporated into the financial statements of the District, the 2000 Construction Fund, which had total revenues of \$997 and total expenditures of \$201,028, leaving a fund balance of \$1,650.

Fiduciary Funds

The Student Activities Fund and the Scholarship Fund are operated as Trust and Agency Funds of the District. The assets of these funds are being held for the benefit of District students. Balances on hand at June 30, 2005 totaled \$280,028.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget twice. These budget amendments fall into two categories:

- Changes made in the fall to account for the final student enrollment that determines how much foundation grant state school aid will be received during the fiscal year and other grant related revenue changes.
- Although the District's final budget for the General Fund anticipated that expenditures would exceed revenue by \$212,799, the actual results for the year show a \$833,264 surplus, the majority represented by the payment of deferred donations to the Jimmy Gerken Plaza totaling \$394,645 and building and department budgets carrying over \$280,709. The deferred revenue still outstanding on the Jimmy Gerken Plaza totals \$258,428.

**Capital Asset and Debt Administration**

**Capital Assets**

By the end of 2005, the District had capital assets totaling \$66.9 million in a broad range of capital assets, including land, school buildings, athletic facilities, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in the Notes to Basic Financial Statements.)

In fiscal year 2005 the District spent \$475,486 for capital projects principally in the areas of:

- Renovations to the Middle School locker rooms
- Renovations to tennis courts at Breton Downs Elementary School

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2005**

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At June 30, 2005, the District's investment in capital assets (net of accumulated depreciation) was \$48,634,104. Accumulated depreciation increased \$1,784,857, leaving a net reduction in the book value of capital assets of \$1,309,371, which are detailed as follows:

Land	\$ 450,000
Land improvements	2,430,106
Buildings and additions	45,218,468
Furniture and equipment	319,296
Vehicles	<u>216,234</u>
<b>Net Capital Assets</b>	<b><u>\$ 48,634,104</u></b>

### **Long-Term Debt**

At year end, the District had \$55.9 million in general obligation bonds and other long-term debt outstanding – a net reduction of \$1,336,079 from June 30, 2004. The District advance refunded the outstanding 1996 bond issue during the 2004-05 fiscal year, generating a present value savings in future interest costs of \$1,140,852.

The District bond rating for general obligation debt remains at "A3". The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within a District's boundaries. The District's other obligations include borrowings from school bond loan fund, capital leases, and early retirement incentive. We present more detailed information about our long-term liabilities in the Notes to Basic Financial Statements.

### **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The end of fiscal year 2005 marked the expiration of a one-year certified contract and a three-year non-certified contract. A new labor agreement has been negotiated for both groups for two years ending in 2006.
- In the winter of 2004 Kent County passed a 1 mill increase county-wide for Special Education programs. In June 2004 the voters of East Grand Rapids approved a 1.4 mill recreation increase. These increases will help the District to maintain excellent academic programs in 2005-06.
- The start up of the West Michigan Health Insurance Pool gives the District reason for optimism related to Health Insurance cost increases.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, East Grand Rapids Public Schools, 2915 Hall Street, East Grand Rapids, MI 49506.

## **BASIC FINANCIAL STATEMENTS**

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Statement of Net Assets**  
**June 30, 2005**

	<u>Governmental Activities</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash equivalents (Note B)	\$ 4,114,888
Investments (Note B)	162,488
Taxes receivable (Note C)	68,493
Accounts receivable	321,314
Due from other governmental units (Note C)	4,247,104
Inventory (Note A)	137,867
Prepaid expenses	498,043
<b>Total Current Assets</b>	<u>9,550,197</u>
<b>Noncurrent Assets</b>	
Capital assets (Note E)	66,872,060
Less accumulated depreciation	<u>(18,237,956)</u>
<b>Total Noncurrent Assets</b>	<u>48,634,104</u>
<b>Total Assets</b>	<u>58,184,301</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	297,560
State aid anticipation loan payable (Note F)	2,900,000
Due to other governmental units	302,138
Payroll withholdings payable	1,606
Accrued interest payable	438,335
Salaries payable	1,148,698
Deferred revenue (Note G)	13,484
Current portion of long term obligations	<u>1,962,034</u>
<b>Total Current Liabilities</b>	<u>7,063,855</u>
<b>Noncurrent Liabilities (Note A, H)</b>	
General obligation bonds payable	49,795,000
State school bond loan payable	4,124,465
Capital leases payable	4,768
Early retirement incentive	-
<b>Total Noncurrent Liabilities</b>	<u>53,924,233</u>
<b>Total Liabilities</b>	<u>60,988,088</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	(6,691,342)
Restricted for:	
Debt service	(300,526)
Capital projects	970,067
Unrestricted	<u>3,218,014</u>
<b>Total Net Assets</b>	<u><u>\$ (2,803,787)</u></u>

See accompanying notes to basic financial statements.



**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Statement of Activities**  
**For the year ended June 30, 2005**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
<b>Governmental Activities</b>				
Instruction	\$ 15,766,344	\$ 54,110	\$ 2,032,055	\$(13,680,179)
Supporting services	9,392,702	213,446	251,926	(8,927,330)
Community services	341,036	340,288	-	(748)
Food service	838,719	695,527	120,311	(22,881)
Athletics	914,142	377,216	-	(536,926)
Other	19,398	-	-	(19,398)
Interest expense	2,117,712	-	-	(2,117,712)
<b>Total Governmental Activities</b>	<u>\$ 29,390,053</u>	<u>\$ 1,680,587</u>	<u>\$ 2,404,292</u>	<u>\$(25,305,174)</u>
<b>General Revenues</b>				
Taxes:				
Property taxes, levied for general operations				1,385,672
Property taxes, levied for debt service				3,687,936
Property taxes, levied for capital improvements				211,913
State school aid, unrestricted				20,401,596
Interest and investment earnings				107,732
Other				107,496
<b>Total General Revenues</b>				<u>25,902,345</u>
<b>Change in Net Assets</b>				597,171
<b>Net Assets - Beginning of Year</b>				<u>(3,400,958)</u>
<b>Net Assets - End of Year</b>				<u><u>\$ (2,803,787)</u></u>

See accompanying notes to basic financial statements.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2005**

	General	Building and Site	Nonmajor	Total
<b>Assets</b>				
Cash equivalents (Note B)	\$ 3,016,072	\$ 918,142	\$ 180,674	\$ 4,114,888
Investments (Note B)	160,409	-	2,079	162,488
Taxes receivable (Note C)	46,685	1,240	20,568	68,493
Accounts receivable	320,839	-	-	320,839
Due from other funds (Note D)	5,643	49,464	429	55,536
Due from other governmental units (Note C)	4,240,877	-	6,227	4,247,104
Inventory (Note A)	124,685	-	13,182	137,867
Prepaid expenditures	46,538	-	30	46,568
<b>Total Assets</b>	<u><u>\$ 7,961,748</u></u>	<u><u>\$ 968,846</u></u>	<u><u>\$ 223,189</u></u>	<u><u>\$ 9,153,783</u></u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 233,161	\$ -	\$ 60,949	\$ 294,110
State aid anticipation loan payable (Note F)	2,900,000	-	-	2,900,000
Due to other funds (Note D)	51,043	429	7,039	58,511
Due to other governmental units	299,291	-	2,847	302,138
Payroll withholdings payable	1,606	-	-	1,606
Accrued interest payable	39,293	-	-	39,293
Salaries payable	1,137,570	-	11,128	1,148,698
Deferred revenue (Note G)	318,597	1,240	20,568	340,405
<b>Total Liabilities</b>	<u><u>4,980,561</u></u>	<u><u>1,669</u></u>	<u><u>102,531</u></u>	<u><u>5,084,761</u></u>
<b>Fund Balances</b>				
Reserved for:				
Debt service	-	-	77,948	77,948
Capital outlay	-	967,177	1,650	968,827
Inventory	124,685	-	-	124,685
Unreserved:				
Undesignated, reported in:				
General fund	2,856,502	-	-	2,856,502
Special revenue funds	-	-	41,060	41,060
<b>Total Fund Balances</b>	<u><u>2,981,187</u></u>	<u><u>967,177</u></u>	<u><u>120,658</u></u>	<u><u>4,069,022</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 7,961,748</u></u>	<u><u>\$ 968,846</u></u>	<u><u>\$ 223,189</u></u>	<u><u>\$ 9,153,783</u></u>

See accompanying notes to basic financial statements.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2005**

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<b>Total governmental fund balances</b>		\$ 4,069,022
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$66,872,060 and accumulated depreciation is \$18,237,956.		48,634,104
Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.		451,475
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	\$(51,630,000)	
State school bond loan payable	(4,124,465)	
Capital leases	(22,456)	
Early retirement incentive	<u>(109,346)</u>	(55,886,267)
Accrued interest is not included as a liability in governmental funds.		(399,042)
Deferred revenue recognized as revenue in the full accrual statements:		
Donations	258,428	
Property taxes	<u>68,493</u>	<u>326,921</u>
<b>Total net assets - governmental activities</b>		<u><u>\$ (2,803,787)</u></u>

See accompanying notes to basic financial statements.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2005**

	<u>General</u>	<u>Building and Site</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Revenues</b>				
Local sources	\$ 2,437,669	\$ 240,532	\$ 4,798,505	\$ 7,476,706
State sources	20,504,255	-	28,487	20,532,742
Federal sources	590,443	-	91,824	682,267
Interdistrict sources	1,590,879	-	-	1,590,879
<b>Total Revenues</b>	<u>25,123,246</u>	<u>240,532</u>	<u>4,918,816</u>	<u>30,282,594</u>
<b>Expenditures</b>				
Current:				
Instruction	14,367,685	-	-	14,367,685
Supporting services	8,419,884	526	-	8,420,410
Community services	278,103	-	-	278,103
Food service	-	-	832,569	832,569
Athletics	-	-	815,744	815,744
Capital outlay	52,955	484,301	201,028	738,284
Debt service:				
Principal repayment	65,000	-	1,565,000	1,630,000
Interest and fiscal charges	1,966	-	2,061,943	2,063,909
Bond issuance costs	-	-	148,252	148,252
Underwriter's discount	-	-	99,997	99,997
Interdistrict	651,975	-	-	651,975
<b>Total Expenditures</b>	<u>23,837,568</u>	<u>484,827</u>	<u>5,724,533</u>	<u>30,046,928</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,285,678</u>	<u>(244,295)</u>	<u>(805,717)</u>	<u>235,666</u>
<b>Other Financing Sources (Uses)</b>				
Refunding bond proceeds	-	-	25,125,000	25,125,000
Bond premium	-	-	1,150,374	1,150,374
Loan proceeds	-	-	523,443	523,443
Transfers in	-	-	433,016	433,016
Payments to escrow agent	-	-	(26,653,600)	(26,653,600)
Transfers out	(433,016)	-	-	(433,016)
Other	(19,398)	-	-	(19,398)
<b>Total Other Financing Sources (Uses)</b>	<u>(452,414)</u>	<u>-</u>	<u>578,233</u>	<u>125,819</u>
<b>Net Change in Fund Balances</b>	833,264	(244,295)	(227,484)	361,485
<b>Fund Balances, Beginning of Year</b>	<u>2,147,923</u>	<u>1,211,472</u>	<u>348,142</u>	<u>3,707,537</u>
<b>Fund Balances, End of Year</b>	<u>\$ 2,981,187</u>	<u>\$ 967,177</u>	<u>\$ 120,658</u>	<u>\$ 4,069,022</u>

See accompanying notes to basic financial statements.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2005**

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**Net change in fund balances - total governmental funds** \$ 361,485

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital outlays	\$ 475,486	
Depreciation expense	<u>(1,784,857)</u>	(1,309,371)

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. 10,453

As some private source donations were not collected within the "revenue recognition period", they are not considered "available" revenues in the governmental funds, and are instead counted as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. (305,824)

Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue. 451,475

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets. (25,755,120)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities:

Repayment of bonds	26,865,000	
Repayment of energy conservation notes	65,000	
Repayment of capital leases	<u>28,915</u>	26,958,915

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities however, interest expense is recognized as the interest accrues regardless of when it is paid. 52,875

In the Statement of Net Assets, early retirement incentive is measured by the amount earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits paid/used (\$241,629) exceeded the amounts earned (\$109,346). 132,283

**Total changes in net assets - governmental activities** \$ 597,171

See accompanying notes to basic financial statements.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2005**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 2,567,408	\$ 2,268,837	\$ 2,437,669	\$ 168,832
State sources	20,317,436	20,667,392	20,504,255	(163,137)
Federal sources	513,984	513,984	590,443	76,459
Interdistrict sources	1,158,059	1,349,643	1,590,879	241,236
<b>Total Revenues</b>	<u>24,556,887</u>	<u>24,799,856</u>	<u>25,123,246</u>	<u>323,390</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	12,267,372	12,627,148	12,504,762	122,386
Added needs	1,848,561	2,039,465	1,862,923	176,542
Supporting services:				
Pupil services	1,530,952	1,017,075	1,033,677	(16,602)
Instructional staff services	1,482,231	1,444,821	1,336,059	108,762
General administrative services	508,206	551,295	604,434	(53,139)
School administrative services	1,807,519	1,872,758	1,728,145	144,613
Business services	633,920	656,251	550,084	106,167
Operation and maintenance services	2,999,074	2,909,561	2,915,895	(6,334)
Pupil transportation services	112,362	115,771	75,993	39,778
Central services	214,981	213,601	175,597	38,004
Community services	258,705	275,261	278,103	(2,842)
Capital outlay	-	53,000	52,955	45
Debt service:				
Principal repayment	-	57,000	65,000	(8,000)
Interest and fiscal charges	-	10,750	1,966	8,784
Interdistrict	422,985	723,700	651,975	71,725
<b>Total Expenditures</b>	<u>24,086,868</u>	<u>24,567,457</u>	<u>23,837,568</u>	<u>729,889</u>
<b>Excess (Deficiency) Of Revenues Over Expenditures</b>	<u>470,019</u>	<u>232,399</u>	<u>1,285,678</u>	<u>1,053,279</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(467,347)	(445,198)	(433,016)	12,182
Other	-	-	(19,398)	(19,398)
<b>Total Other Financing Sources (Uses)</b>	<u>(467,347)</u>	<u>(445,198)</u>	<u>(452,414)</u>	<u>(7,216)</u>
<b>Net Change in Fund Balances</b>	<u>2,672</u>	<u>(212,799)</u>	<u>833,264</u>	<u>1,046,063</u>
<b>Fund Balances, July 1</b>	<u>2,147,923</u>	<u>2,147,923</u>	<u>2,147,923</u>	<u>-</u>
<b>Fund Balances, June 30</b>	<u>\$ 2,150,595</u>	<u>\$ 1,935,124</u>	<u>\$ 2,981,187</u>	<u>\$ 1,046,063</u>

See accompanying notes to basic financial statements.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2005**

	Private Purpose Trust Fund	Agency Fund
<b>Assets</b>		
Cash equivalents (Note B)	\$ 4,295	\$ 267,911
Accounts receivable	-	4,372
Due from other funds (Note D)	-	3,450
<b>Total Assets</b>	<u>\$ 4,295</u>	<u>\$ 275,733</u>
<b>Liabilities</b>		
Due to other funds (Note D)	\$ 475	\$ -
Due to student groups	-	275,733
<b>Total Liabilities</b>	<u>475</u>	<u>\$ 275,733</u>
<b>Net Assets</b>		
Held in trust for:		
Individuals and organizations	<u>\$ 3,820</u>	

See accompanying notes to basic financial statements.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Assets**  
**For the year ended June 30, 2005**

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	Private Purpose Trust Fund
<b>Additions</b>	
Interest earned	\$ 3
<b>Deductions</b>	
Endowment activities:	
Scholarships	42
<b>Change In Net Assets</b>	(39)
<b>Net Assets, Beginning of Year</b>	3,859
<b>Net Assets, End of Year</b>	<u>\$ 3,820</u>

See accompanying notes to basic financial statements.



## **NOTES TO BASIC FINANCIAL STATEMENTS**

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

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## **Note A – Summary of Significant Accounting Policies**

East Grand Rapids Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 2,896 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of East Grand Rapids Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

### **1. Reporting Entity**

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

### **2. District-Wide and Fund Financial Statements**

**District-Wide Financial Statements** - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

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Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the Building and Site Capital Projects Fund are the District's major funds. Non-major funds are aggregated and presented in a single column.

**Fund Financial Statements** – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

### **3. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

#### **Governmental Funds**

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

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*General Fund*—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

*Special Revenue Funds*—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

*School Service Funds*—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletics Funds.

*Debt Service Funds*—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

*Capital Projects Funds*—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code. For capital project activities funded with sinking fund millage, the District has complied with the applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

### **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus. The District presently maintains a scholarship fund for the benefit of students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

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#### **4. Budgets and Budgetary Accounting**

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. East Grand Rapids Public Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at the end of the fiscal year.

East Grand Rapids Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Assistant Superintendent for Business to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

#### **5. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

#### **6. Investments**

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

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**7. Inventory**

Inventories are valued at cost (first-in, first-out). Inventories of the General Fund consist of custodial and maintenance supplies. Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

**8. Capital Assets**

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and additions	40-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

**9. Long-Term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**10. Early Retirement Incentive**

Early retirement incentive has been computed and recorded in the basic financial statements of the District. Eligible District employees who select early retirement are entitled to a termination leave payment based on their age and years of service. At June 30, 2005, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for early retirement incentive amounted to \$109,346.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

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**11. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**12. Interfund Activity**

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

**13. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note B – Cash and Investments**

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- United States or federal obligation repurchase agreements.
- Banker's acceptances of United States Banks.
- Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- Surplus funds investment pools.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

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Depositories actively used by the District during the year are detailed as follows:

1. Fifth Third Bank
2. Founders Trust Bank

Balances at June 30, 2005 related to cash equivalents and deposits are detailed in the Basic Financial Statements as follows:

Governmental Funds	\$ 4,114,888
Fiduciary Funds	<u>272,206</u>
	<u>\$ 4,387,094</u>

Cash equivalents consist of bank public funds checking and savings accounts.

June 30, 2005 balances are detailed as follows:

Cash equivalents	<u>\$ 4,387,094</u>
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*Custodial credit risk*

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$4,387,094 and the bank balance was \$4,980,006. Of the bank balance, \$200,000 was covered by federal depository insurance and \$4,780,006 was uninsured.

**Investments**

As of June 30, 2005 the District had the following investments:

	<u><b>Fair Value</b></u>
Investment Pool Accounts:	
Michigan Liquid Asset Fund Plus	<u>\$ 162,488</u>

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by law.

*Credit Risk*

The District's investments in the Michigan Liquid Asset Fund investment pool were unrated.

*Interest Rate Risk*

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.



**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

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*Concentration of Credit Risk*

The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

*Foreign Currency Risk*

The District is not authorized to invest in investments which have this type of risk.

**Note C – State School Aid/Property Taxes**

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2004 ad valorem State Education Taxes generated within the East Grand Rapids Public School District, and paid to the State of Michigan, totaled \$2,778,304.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2004 and September, 2004. The 2004-05 "Foundation Allowance" for East Grand Rapids Public Schools was \$7,301 for 2,893 "Full Time Equivalent" students, generating \$20,496,488 in state aid payments to the District of which \$3,723,629 was paid to the District in July and August, 2005 and is included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund at June 30, 2005.

Property taxes for the District are levied July 1 and December 1 under a split-levy system by the City of East Grand Rapids and the Charter Township of Grand Rapids. The taxes are then collected by each governmental unit and remitted to the District. The County of Kent, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

<b>Year</b>	<b>General</b>	<b>Debt Service</b>	<b>Building &amp; Site</b>	<b>Total</b>
2004	\$ 17,546	\$ 7,416	\$ 434	\$ 25,396
2003	14,860	6,749	414	22,023
2002	14,279	6,403	392	21,074
	<u>\$ 46,685</u>	<u>\$ 20,568</u>	<u>\$ 1,240</u>	<u>\$ 68,493</u>

Taxes uncollected after three years from the date of levy, unless material in amount, are written off the books of the District.

Section 1211(1) of 1993 PA 32 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

District electors previously (June, 1995) approved a ten year operating millage extension for the 18 mill non-homestead property tax. Only 17.3182 mills were levied in 2004 due to reductions caused by the Headlee Amendment.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

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The District levied a 1.4 recreation millage, 7.95 mills for debt service purposes and .4569 mills for building and site in 2004, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage", nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

**Note D – Interfund Receivables/Payables and Transfers**

Amounts due from (to) other funds representing interfund receivables and payables at June 30, 2005 are detailed as follows:

	<b>Due From</b>	<b>Due To</b>
<b>General Fund</b>		
Athletics Fund	\$ 3,516	\$ —
2000 Debt Service Fund	369	—
2001 Debt Service Fund	425	
Building and Site Fund	—	49,464
2000 Construction Fund	858	—
Attie Spaans Scholarship Fund	475	—
Student Activities Agency Fund	—	1,737
		<hr/>
Total General Fund	5,643	51,043
<b>Special Revenue Funds</b>		
Athletic Fund:		
General Fund	—	3,516
Student Activities Agency Fund	—	1,871
		<hr/>
Total Special Revenue Funds	—	5,387
<b>Debt Service Funds</b>		
2000 Debt Service Fund:		
General Fund	—	369
2001 Debt Service Fund:		
General Fund	—	425
		<hr/>
Total Debt Service Funds	—	794

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

	<u>Due From</u>	<u>Due To</u>
<b>Capital Projects Funds</b>		
Building and Site Fund:		
General Fund	\$ 49,464	\$ —
2000 Construction Fund	—	429
2000 Construction Fund:		
General Fund	—	858
Building and Site Fund	429	—
	<hr/>	<hr/>
Total Capital Projects Funds	49,893	1,287
<b>Trust and Agency Funds</b>		
Attie Spans Scholarship Fund:		
General Fund	—	475
Student Activities Fund:		
General Fund	1,737	
Special Revenue Funds:		
Athletic Fund	1,871	—
	<hr/>	<hr/>
Total Trust and Agency Funds	3,450	475
	<hr/>	<hr/>
<b>Total All Funds</b>	<u>\$ 58,986</u>	<u>\$ 58,986</u>

The balances represent reimbursements for expenditures incurred in 2004-05 and not paid until subsequent to the end of the fiscal year.

Transfers between funds during the year ended June 30, 2005 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Special Revenue Fund:		
Athletics Fund	\$ —	\$ 433,016
Special Revenue Fund:		
Athletics Fund:		
General Fund	433,016	—
	<hr/>	<hr/>
<b>Total All Funds</b>	<u>\$ 433,016</u>	<u>\$ 433,016</u>

The General Fund transfer to the Athletics Fund was made to pay the General Fund's share of support for the athletic program for the fiscal year.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**Note E – Capital Assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

	<b>Balances July 1, 2004</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balances June 30, 2005</b>
Capital assets not depreciated:				
Land	\$ 450,000	\$ —	\$ —	\$ 450,000
Capital assets being depreciated:				
Land improvements	6,135,201	31,678	—	6,166,879
Buildings and additions	57,808,582	374,359	—	58,182,941
Furniture and equipment	1,587,000	35,673	—	1,622,673
Vehicles	415,791	33,776	—	449,567
	<u>66,396,574</u>	<u>\$ 475,486</u>	<u>\$ —</u>	<u>66,872,060</u>
Totals at historical cost				
Less accumulated depreciation for:				
Land improvements	\$ 3,430,012	\$ 306,761	\$ —	\$ 3,736,773
Buildings and additions	11,727,588	1,236,885	—	12,964,473
Furniture and equipment	1,111,284	192,093	—	1,303,377
Vehicles	184,215	49,118	—	233,333
	<u>16,453,099</u>	<u>\$1,784,857</u>	<u>\$ —</u>	<u>18,237,956</u>
Total accumulated depreciation				
<b>Net Capital Assets</b>	<u><u>\$ 49,943,475</u></u>			<u><u>\$ 48,634,104</u></u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 1,453,142
Supporting services	164,234
Community services	62,933
Food service	6,150
Athletics	98,398
	<u>98,398</u>
	<u><u>\$ 1,784,857</u></u>

**Note F – Short-term Debt**

The \$2,900,000 August 20, 2003 state aid anticipation loan was repaid on August 20, 2004. On August 20, 2004, the District borrowed \$2,900,000 in anticipation of state aid (interest at 1.57%), due in full on August 20, 2005. Total interest expense on the loans was \$43,467 for the fiscal year.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**Note G – Deferred Revenue**

General Fund deferred revenue includes \$258,428 of private donations receivable at June 30, 2005, but not yet received as of the audit report date.

**Note H – Long-term Debt**

Amounts available and to be provided for outstanding long-term debt at June 30, 2005 are summarized as follows:

	<b>Bond Issues</b>	<b>State School Bond Loan</b>	<b>Capital Leases</b>	<b>Early Retirement Incentive</b>	<b>Total</b>
<b>Amounts Available For Retirement Of Long-Term Debt</b>					
Debt Service Funds	\$ 77,948	\$ —	\$ —	\$ —	\$ 77,948
<b>Amounts To Be Provided For Retirement Of Long-Term Debt</b>					
General Fund	—	—	22,456	109,346	131,802
Debt Service Funds	51,552,052	4,124,465	—	—	55,676,517
<b>Total Amounts Available And To Be Provided</b>	<b>\$ 51,630,000</b>	<b>\$ 4,124,465</b>	<b>\$ 22,456</b>	<b>\$ 109,346</b>	<b>\$55,886,267</b>

Changes in long-term debt for the year ended June 30, 2005 are summarized as follows:

	<b>Debt Outstanding July 1, 2004</b>	<b>Debt Added</b>	<b>Debt Retired</b>	<b>Debt Outstanding June 30, 2005</b>
General obligation bonds:				
March 1, 1996	\$ 26,225,000	\$ —	\$ 26,225,000	\$ —
February 1, 2000	2,875,000	—	575,000	2,300,000
July 3, 2001	24,270,000	—	65,000	24,205,000
September 30, 2004	—	25,125,000	—	25,125,000
Energy conservation notes:				
October 28, 1994	65,000	—	65,000	—
State school bond loan	3,494,346	630,119	—	4,124,465
Capital leases	51,371	—	28,915	22,456
Early retirement incentive	241,629	109,346	241,629	109,346
	<b>\$ 57,222,346</b>	<b>\$ 25,864,465</b>	<b>\$ 27,200,544</b>	<b>\$ 55,886,267</b>

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

Long-term bonds, notes and capital leases outstanding at June 30, 2005 are comprised of the following:

	<b>Final Maturity Dates</b>	<b>Interest Rates</b>	<b>Outstanding Balance</b>	<b>Amount Due Within One Year</b>
<b>General Obligation Bonds</b>				
\$27,515M Building and Site February 1, 2000: Annual maturities of 575M	May 1, 2009	5.375 - 5.50	\$ 2,300,000	\$ 575,000
\$24,655M Refunding July 3, 2001: Annual maturities of 65M to 1,705M	May 1, 2029	4.00 - 5.50	24,205,000	65,000
\$25,125M Refunding September 30, 2004: Annual maturities of 1,195M to 2,175M	May 1, 2020	2.50 - 5.250	25,125,000	1,195,000
<b>Capital Leases</b>				
\$9,600 Copier November, 2001: Monthly installments of \$160	October, 2006	N/A	2,560	1,920
\$9,000 Copier July, 2002: Monthly installments of \$150	June, 2007	N/A	3,600	1,800
\$68,840 Copier September, 2001: Monthly installments of \$1,164	August, 2007	N/A	16,296	13,698
			<u>\$51,652,456</u>	<u>\$1,852,688</u>

The District is required to obtain loans from the Michigan School Bond Loan Fund (the "Fund") for the payment of the annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire bonded debt. During the year, the District borrowed \$523,443 from the Fund and \$106,676 of accrued interest was added to the District's liability to the Fund. At June 30, 2005, the District owed the Fund a total of \$4,124,465.

The annual requirements to pay principal and interest on long-term bonds, notes and capital leases outstanding are as follows:

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2006	\$ 1,852,688	\$ 2,394,249	\$ 4,246,937
2007	1,909,768	2,324,893	4,234,661
2008	1,970,000	2,258,967	4,228,967
2009	2,045,000	2,184,704	4,229,704
2010	2,125,000	2,104,592	4,229,592
2011	2,205,000	2,027,030	4,232,030
2012	2,290,000	1,943,730	4,233,730
2013	2,375,000	1,856,380	4,231,380
2014	2,470,000	1,760,798	4,230,798
2015	2,600,000	1,629,212	4,229,212

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	2,715,000	1,516,982	4,231,982
2017	2,855,000	1,377,132	4,232,132
2018	3,000,000	1,230,032	4,230,032
2019	3,155,000	1,075,406	4,230,406
2020	3,300,000	912,656	4,212,656
2021	1,575,000	747,656	2,322,656
2022	1,590,000	668,906	2,258,906
2023	1,605,000	589,406	2,194,406
2024	1,640,000	509,156	2,149,156
2025	1,650,000	427,156	2,077,156
2026	1,660,000	344,652	2,004,652
2027	1,670,000	259,582	1,929,582
2028	1,705,000	173,994	1,878,994
2029	1,690,000	86,612	1,776,612
	<u>\$51,652,456</u>	<u>\$30,403,883</u>	<u>\$82,056,339</u>

On July 3, 2001, the District issued \$24,655,000 in general obligation bonds to advance refund \$22,925,000 of outstanding 2000 serial bonds. The average interest rate of the refunding bonds equaled 5.1724%, resulting in a net present value savings of \$762,596, or 3.33% of the previous bond issue. The net proceeds of \$24,163,833 (after production cost of \$291,922, underwriter's discount of \$93,689 and \$105,556 in professional fees, bond ratings and other issuance costs) were deposited with Fifth Third Bank and used to purchase United States Treasury securities. Under the terms of this agreement, these securities, together with interest earned to maturity, will be sufficient to pay all principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. These funds cannot be commingled with other funds and cannot be redeemed. Any excess funds will be returned to the District upon final payment of principal and interest (scheduled to be May 1, 2009). This defeasance procedure allows the District to remove the related assets and liabilities from its financial statements, which it has done for the fiscal year ended June 30, 2004. The assets held by Fifth Third Bank to be used for the remaining principal and interest due (to May 1, 2009) of \$28,301,600 on the defeased debt at June 30, 2005 are detailed in the following schedule:

	<b>Cost</b>	<b>Market Value</b>	<b>Par Value</b>
United States Treasury Securities	<u>\$29,555,437</u>	<u>\$25,026,686</u>	<u>\$28,928,000</u>

On September 30, 2004, the District issued \$25,125,000 in general obligation bonds with an average interest rate of 3.93% to advance refund \$25,300,000 of outstanding 1996 general obligation bonds with a effective interest rate of 5.1527% resulting in a net present value savings of \$1,140,852. The net proceeds (\$26,659,625 after the net premium of \$1,150,374, District contribution of \$646,475 and payment of \$248,249 in underwriting fees, insurance and other issuance costs) were deposited with an escrow agent and used to purchase United States government securities. Under the terms of the agreement these securities, together with the interest earned to maturity, will be sufficient to pay principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

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payments with respect to the debt. These funds are not commingled with other funds and cannot be redeemed prior to maturity. The remaining refunded bonds (\$25,300,000) were repaid in total on May 1, 2005 (including the final interest payment due of \$632,500 and the premium on the refunding of \$379,500).

### **Note I – Retirement Plan**

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2005 was \$14,346,219. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPERS plan. The contribution rate was 12.99% for the fiscal year ending September 30, 2004 and 14.87% for the fiscal year beginning October 1, 2004. The District's contributions to the plan for the fiscal years ended June 30, 2005, 2004 and 2003 were \$2,094,172, \$1,855,220 and \$1,895,727, respectively.

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPERS does not make separate measurements of assets and actuarial accrued liability for individual schools. The actuarial accrued liability at September 30, 2003 (the latest reporting date available expressed as \$ in millions) for the MPERS as a whole, determined through an actuarial valuation performed as of that date, was \$44,769. The MPERS' net assets available for benefits on that date were \$38,726 leaving an unfunded pension benefit obligation of \$6,043. Ten year historical trend information showing the MPERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2004 Annual Report of the MPERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

The total actuarial accrued liability (expressed as \$ in millions) increased by \$2,812 from September 30, 2002 to September 30, 2003. Not included in the pension benefit obligation above is any future obligation attributable to health, dental and vision insurance benefits which are funded on a cash disbursement basis. With the passage of Act 279 of 1996, making permanent the cash basis financing of health, dental and vision benefits, actuarially calculated liabilities for these benefits are no longer disclosed on the balance sheets.



**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

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Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan (MIP). Effective January 1, 1990, all new employees are automatically enrolled in MIP. Participants in MIP, who receive benefits in addition to those available under the Basic Plan, contribute a percentage of salary. The graduated contribution rate is based on total wages and is calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. MIP members may retire at any age with 30 years of service, or at age 60 with 5 years of service, with benefits based on a final average compensation period of 5 years for Basic Plan participants and 3 years for Member Investment Plan participants.

Post-employment benefits for health, dental and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above.

#### **Note J – Risk Management and Benefits**

The District is a member of the West Michigan Risk Management Trust, a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$175,000 and \$865,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained. The District paid \$101,722 in premiums to the Trust for the year ended June 30, 2005.

The District is also a member of the West Michigan Workers' Compensation Fund, a self-insurance program with districts pooling together to insure workers' compensation and employers' liability exposures. The Fund pays the first \$300,000 of any workers' compensation or employers' liability loss out of a \$1,833,000 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2005, there were no material pending claims against the District. The District paid \$66,475 in premiums to the Fund for the year ended June 30, 2005.

Health, life and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **Note K – Stewardship, Compliance and Accountability**

The following District fund had actual expenditures exceed final budgeted expenditures for the year ended June 30, 2005, as follows:

	<b>Budget</b>	<b>Actual</b>	<b>Unfavorable Variance</b>
<b>Special Revenue Funds</b>			
Food Service	\$ 762,688	\$ 832,569	\$ 69,881

## **SUPPLEMENTAL INFORMATION**

## **GENERAL FUND**

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Balance Sheet**  
**June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Cash equivalents	\$ 3,016,072	\$ 2,608,535
Investments	160,409	157,831
Receivables:		
Taxes	46,685	39,307
Accounts	320,839	659,802
Due from other funds	5,643	24,865
Due from other governmental units	4,240,877	4,267,514
Inventory	124,685	109,628
Prepaid expenditures	46,538	3,238
<b>Total Assets</b>	<u><u>\$ 7,961,748</u></u>	<u><u>\$ 7,870,720</u></u>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 233,161	\$ 566,437
State aid anticipation loan payable	2,900,000	2,900,000
Due to other funds	51,043	87,236
Due to other governmental units	299,291	308,974
Payroll withholdings payable	1,606	3,439
Accrued interest payable	39,293	25,696
Salaries payable	1,137,570	1,214,156
Deferred revenue	318,597	616,859
<b>Total Liabilities</b>	<u>4,980,561</u>	<u>5,722,797</u>
<b>Fund Balances</b>		
Reserved for inventory	124,685	109,628
Unreserved:		
Undesignated	<u>2,856,502</u>	<u>2,038,295</u>
<b>Total Fund Balances</b>	<u>2,981,187</u>	<u>2,147,923</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 7,961,748</u></u>	<u><u>\$ 7,870,720</u></u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Revenues**  
**For the years ended June 30, 2005 and 2004**

	2005	2004
Local sources:		
Property taxes:		
Operating	\$ 723,924	\$ 674,306
Recreation	646,924	-
Delinquent property taxes	968	-
Other property taxes	-	3,557
Interest on delinquent taxes	4,766	2,255
In lieu of taxes	1,712	1,711
	<u>1,378,294</u>	<u>681,829</u>
Interest earnings:		
Interest on deposits and investments	38,212	7,969
Other local revenue:		
Preschool fees	54,110	48,912
Beverage consortium commissions	59,107	-
Bookstore	4,569	5,367
Child care fees	340,288	344,377
Joint facilities rental	213,446	154,533
Rental of school facilities	70,459	72,499
Donations	266,149	475,212
Sale of school property	1,130	43,695
Refunds of expenditures	11,663	36,383
Miscellaneous	242	376
	<u>1,021,163</u>	<u>1,181,354</u>
Total local sources	2,437,669	1,871,152
State sources:		
State aid	20,468,001	20,224,690
School improvement	1,958	1,912
FICA/retirement reimbursement	34,296	28,698
	<u>20,504,255</u>	<u>20,255,300</u>
Total state sources		
Federal sources:		
Title I	104,680	74,809
Title IIA	35,757	35,919
Title IID	2,076	3,941
Title V	1,544	2,293
I.D.E.A. program	439,033	394,493
Medicaid - school based	46	-
Drug free schools	7,307	4,142
	<u>590,443</u>	<u>515,597</u>
Total federal sources		
Interdistrict sources:		
Special education - county	\$ 1,201,220	\$ 847,996
Special education - tuition	109,239	154,640
Special education - transportation	251,926	-
Special education - shared costs	10,946	26,676
Medicaid fee for service	601	-
Career preparation	16,947	20,619
	<u>1,590,879</u>	<u>1,049,931</u>
Total interdistrict sources		
<b>Total Revenues</b>	<u><u>\$ 25,123,246</u></u>	<u><u>\$ 23,691,980</u></u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2005 and 2004**

	2005	2004
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries:		
Teachers	\$ 3,742,004	\$ 3,609,203
Teaching assistants	94,646	82,022
Substitutes	82,379	66,736
Early retirement incentive	135,752	-
Employee benefits:		
Employee insurance	697,982	624,853
Tuition reimbursement	2,963	6,230
Retirement	574,146	487,746
Social Security	297,445	285,359
Unemployment compensation	6,578	559
Cash in lieu of benefits	7,985	10,564
Local travel	501	389
Printing and binding	23,580	21,612
Teaching supplies	64,970	57,490
Testing supplies	25,878	14,885
Textbooks	34,064	20,897
Miscellaneous supplies	429	135
New equipment and furniture	6,400	3,504
Miscellaneous	7,952	7,834
	5,805,654	5,300,018
Middle school:		
Salaries:		
Teachers	1,810,695	1,823,408
Teaching assistants	1,114	-
Substitutes	31,689	30,664
Other	4,292	1,500
Early retirement incentive	-	12,026
Employee benefits:		
Employee insurance	305,567	261,637
Tuition reimbursement	828	-
Retirement	270,696	240,629
Social Security	141,788	143,592
Unemployment compensation	5,723	155
Cash in lieu of benefits	10,000	11,281
Local travel	245	281
Workshops and conferences	3,354	-
Printing and binding	25,165	22,231
Tuition	2,075	700
Teaching supplies	30,763	28,129
Testing supplies	6,603	3,924
Textbooks	125,173	31,814
Resale supplies	4,654	3,259
Miscellaneous supplies	876	-
New equipment and furniture	468	270
Dues and fees	2,265	1,555
Miscellaneous	700	737
	2,784,733	2,617,792

(Continued)

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2005 and 2004**

	2005	2004
High school:		
Salaries:		
Teachers	\$ 2,531,315	\$ 2,459,947
Teaching assistants	3,479	3,359
Substitutes	54,934	34,948
Early retirement incentive	33,720	26,839
Employee benefits:		
Employee insurance	471,201	409,430
Tuition reimbursement	-	685
Retirement	378,482	323,600
Social Security	196,770	195,245
Unemployment compensation	123	(116)
Cash in lieu of benefits	6,310	7,539
Local travel	1,326	1,324
Workshops and conferences	18,111	10,297
Printing and binding	33,012	32,070
Tuition - dual enrollment	27,883	37,635
Teaching supplies	34,940	34,056
Testing supplies	6,137	4,205
Textbooks	34,215	28,764
Miscellaneous supplies	647	-
New equipment and furniture	9,666	6,001
Dues and fees	2,712	1,702
Miscellaneous	18,613	17,831
	<u>3,863,596</u>	<u>3,635,361</u>
Preschool:		
Salaries:		
Teachers	20,075	23,652
Teaching assistants	5,643	7,584
Substitutes	3,792	75
Employee benefits:		
Employee insurance	11,676	5,254
Retirement	4,324	4,067
Social Security	2,258	2,395
Printing and binding	-	3
Teaching supplies	1,374	827
Miscellaneous supplies	759	-
New furniture and equipment	604	164
Miscellaneous	274	704
	<u>50,779</u>	<u>44,725</u>
Total basic programs	12,504,762	11,597,896
Added needs:		
Special education:		
Salaries:		
Teachers	855,617	857,765
Teaching assistants	285,138	312,942
Substitutes	38,519	15,158
Early retirement incentive	35,991	-

(Continued)

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2005 and 2004**

	2005	2004
Special education: (Continued)		
Employee benefits:		
Employee insurance	\$ 243,098	\$ 220,164
Tuition reimbursement	1,709	810
Retirement	171,659	153,429
Social Security	91,464	89,599
Workers' compensation	489	-
Unemployment compensation	3,387	3,929
Cash in lieu of benefits	3,083	2,700
Workshops and conferences	865	230
Teaching supplies	5,527	7,102
Testing supplies	6,825	6,023
New equipment and furniture	15,347	285
Miscellaneous	5,356	5,014
	<u>1,764,074</u>	<u>1,675,150</u>
Compensatory education:		
Salaries:		
Teachers	71,876	47,062
Other	188	704
Employee benefits:		
Employee insurance	5,668	10,633
Retirement	10,319	6,114
Social Security	5,555	3,564
Cash in lieu of benefits	600	739
Teaching supplies	4,643	1,647
Office supplies	-	329
	<u>98,849</u>	<u>70,792</u>
Total added needs	1,862,923	1,745,942
Supporting services:		
Pupil services:		
Guidance services:		
Counselors salaries	414,354	378,069
Employee benefits:		
Employee insurance	72,372	71,186
Retirement	60,599	49,113
Social Security	30,815	28,666
Cash in lieu of benefits	-	222
Placement and follow-up	2,493	4,078
	<u>580,633</u>	<u>531,334</u>
Occupational therapist services:		
Occupational therapists salaries	-	73,029
Employee benefits:		
Employee insurance	516	11,133
Retirement	-	9,486
Social Security	-	5,585
Local travel	267	316
Workshops and conferences	150	37
Placement and follow-up	378	523
	<u>1,311</u>	<u>100,109</u>

(Continued)



**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2005 and 2004**

	2005	2004
Psychological services:		
Psychologists salaries	\$ 46,606	\$ 132,857
Employee insurance	36,166	-
Employee benefits:		
Employee insurance	18,192	24,274
Retirement	6,751	17,114
Social Security	3,526	10,016
Professional services	47,050	6,832
Local travel	136	247
Supplies	443	-
	<u>158,870</u>	<u>191,340</u>
Speech pathology services:		
Speech pathologists salaries	50,062	112,776
Employee benefits:		
Employee insurance	14,207	25,496
Retirement	7,286	14,650
Social Security	3,810	8,000
Workers' compensation	80	-
Local travel	24	110
Supplies	972	1,295
	<u>76,441</u>	<u>162,327</u>
Social worker services:		
Social workers salaries	-	132,081
Employee benefits:		
Employee insurance	15,075	25,580
Retirement	-	17,157
Social Security	-	9,702
Unemployment compensation	4,261	2,905
Cash in lieu of benefits	-	222
Local travel	61	17
Workshops and conferences	53	-
Supplies	1,331	1,248
	<u>20,781</u>	<u>188,912</u>
Teacher consultant services:		
Teacher consultants salaries	82,679	31,464
Employee benefits:		
Employee insurance	10,644	4,337
Retirement	12,116	4,090
Social Security	6,297	2,409
Local travel	117	-
Supplies	367	756
	<u>112,220</u>	<u>43,056</u>
Other pupil services:		
Salaries:		
Noon hour supervisors	5,142	50,260
Occupational therapist	62,933	58,685
Employee benefits:		
Retirement	10,104	14,245
Social Security	5,242	8,434
	<u>83,421</u>	<u>131,624</u>
Total pupil services	1,033,677	1,348,702

(Continued)

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2005 and 2004**

	2005	2004
Instructional staff services:		
Curriculum/improvement of instruction:		
Salaries:		
Coordinator	\$ 64,714	\$ 111,055
Professionals	12,062	1,665
Clerical	88,739	85,831
Other	37,236	36,240
Early retirement incentive	51,741	-
Employee benefits:		
Employee insurance	21,451	24,057
Retirement	27,120	29,998
Social Security	17,654	16,615
Cash in lieu of benefits	2,790	4,503
Workshops and conferences	88,850	55,657
Printing and binding	-	16
Teaching supplies	25,501	21,180
Miscellaneous supplies	48	-
New furniture and equipment	10,831	5,486
Dues and fees	826	358
Miscellaneous	41,651	43,421
	<u>491,214</u>	<u>436,082</u>
Library:		
Salaries:		
Librarians	63,441	61,848
Assistants	171,670	176,027
Employee benefits:		
Employee insurance	57,695	40,083
Retirement	34,537	30,899
Social Security	16,978	17,436
Unemployment compensation	4,608	-
Other rentals	4,111	4,103
Library books	20,939	17,442
Supplies	6,269	5,263
	<u>380,248</u>	<u>353,101</u>
Technology department:		
Salaries:		
Director	83,512	81,473
Clerical	10,731	11,052
Other	1,375	4,412
Employee benefits:		
Employee insurance	28,912	17,123
Retirement	13,710	12,040
Social Security	7,458	7,561
Cash in lieu of benefits	1,810	1,475
Professional services	1,912	7,084
Workshops and conferences	20,161	18,792
New furniture and equipment	14,207	85,325
Dues and fees	37,810	44,929
	<u>221,598</u>	<u>291,266</u>

(Continued)

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2005 and 2004**

	2005	2004
Supervision and direction of instructional staff:		
Salaries:		
Director	\$ 89,721	\$ 86,435
Clerical	19,896	19,718
Other	5,213	572
Employee benefits:		
Employee insurance	15,887	17,026
Tuition reimbursement	3,552	1,452
Retirement	16,466	13,726
Social Security	8,570	7,997
Cash in lieu of benefits	2,869	2,824
Local travel	-	171
Workshops and conferences	2,088	4,553
Teaching supplies	1,467	1,666
Office supplies	870	900
	<u>166,599</u>	<u>157,040</u>
Performing arts center:		
Manager salary	52,976	49,956
Employee benefits:		
Employee insurance	5,432	5,968
Retirement	7,326	6,132
Social Security	3,830	3,611
Supplies	3,616	8,261
Miscellaneous	3,220	10,459
	<u>76,400</u>	<u>84,387</u>
Total instructional staff services	1,336,059	1,321,876
General administrative services:		
Board of education:		
Communications salaries	-	100
Employee benefits:		
Retirement	-	13
Social Security	-	8
Workers' compensation insurance	66,475	67,476
Census and pupil personnel	602	726
Legal services	48,223	47,294
Audit services	25,725	28,400
Election workers	9,506	6,771
Workshops and conferences	9,086	7,480
	<u>159,617</u>	<u>158,268</u>
Executive administration:		
Salaries:		
Superintendent	138,696	134,260
Clerical	95,995	92,736
Early retirement incentive	43,752	-
Employee benefits:		
Employee insurance	46,196	35,065
Board paid annuities	14,000	14,000
Tuition reimbursement	-	705
Retirement	34,692	34,888
Social Security	16,707	14,714
Cash in lieu of benefits	1,196	2,251

(Continued)

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2005 and 2004**

	2005	2004
Executive administration: (Continued)		
Workshops and conferences	\$ 11,717	\$ 5,144
Mailing and postage	6,473	13,276
Printing and binding	3,438	2,683
Office supplies	7,770	6,666
New equipment and furniture	6,538	5,589
Dues and fees	1,395	3,139
Miscellaneous	16,252	11,830
	<u>444,817</u>	<u>376,946</u>
Total general administrative services	604,434	535,214
School administrative services:		
Office of the principal:		
Salaries:		
Principals	679,627	654,053
Clerical	434,035	416,960
Office aides	51,199	41,394
Early retirement incentive	-	34,365
Employee benefits:		
Employee insurance	237,753	213,831
Retirement	167,494	144,018
Social Security	83,327	82,367
Cash in lieu of benefits	26,159	24,468
Workshops and conferences	2,492	1,940
Office supplies	34,222	25,140
Dues and fees	3,772	4,052
	<u>1,720,080</u>	<u>1,642,588</u>
Other school administration:		
Graduation expenses	8,065	7,669
Total school administrative services	<u>1,728,145</u>	<u>1,650,257</u>
Business services:		
Fiscal services:		
Salaries:		
Business manager	118,668	114,444
Accounting	143,644	133,818
Employee benefits:		
Employee insurance	49,116	43,191
Retirement	37,386	31,938
Social Security	18,534	17,794
Cash in lieu of benefits	7,651	6,304
Workshops and conferences	6,987	5,545
Dues and fees	725	1,895
	<u>382,711</u>	<u>354,929</u>
Print center:		
Print center salaries	20,443	20,117
Employee benefits:		
Employee insurance	540	577
Retirement	2,979	2,613
Social Security	1,847	1,804
Cash in lieu of benefits	3,826	3,602

(Continued)

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2005 and 2004**

	2005	2004
Print center: (Continued)		
Equipment rental	\$ 88,251	\$ 46,401
Supplies	16,779	16,100
Reimbursements for copier services	(67,137)	(36,350)
	<u>67,528</u>	<u>54,864</u>
Other business services:		
Contracted services	11,916	11,436
Equipment repair and maintenance	(768)	771
Interest expense	43,467	31,572
Property tax refunds	45,230	7,674
	<u>99,845</u>	<u>51,453</u>
Total business services	550,084	461,246
Operation and maintenance services:		
Operation and maintenance:		
Salaries:		
Director	59,171	56,846
Custodial	628,020	587,947
Maintenance	119,996	113,966
Employee benefits:		
Employee insurance	239,528	227,529
Retirement	115,172	97,705
Social Security	62,309	58,056
Unemployment compensation	23,351	-
Cash in lieu of benefits	525	440
Workshops and conferences	-	400
Telephone	53,842	51,364
Water and sewer	38,371	47,733
Waste and trash disposal	31,897	29,429
Insurance	101,722	97,477
Land/building repair and maintenance	283,830	328,823
Equipment repair and maintenance	48,441	33,810
Vehicle repair and maintenance	18,742	17,084
Equipment rental	4,391	2,247
Vehicle rental	4,921	5,633
Purchased services - joint facilities	45,004	37,954
Heating	370,494	328,448
Electricity	429,955	470,326
Gasoline, oil and grease	6,836	5,372
Maintenance/custodial supplies	129,097	168,608
Improvements other than buildings	38,654	-
New equipment and furniture	57,030	3,782
Miscellaneous	162	-
	<u>2,911,461</u>	<u>2,770,979</u>

(Continued)

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2005 and 2004**

	2005	2004
Security services:		
Aides salaries	\$ 680	\$ -
Employee benefits:		
Retirement	465	-
Social Security	242	-
Police liaison services	3,047	4,155
	<u>4,434</u>	<u>4,155</u>
Total operation and maintenance services	2,915,895	2,775,134
 Pupil transportation services:		
Pupil transportation:		
Salaries:		
Supervisor	24,461	26,050
Drivers	53,584	59,495
Employee benefits:		
Employee insurance	9,239	13,224
Other employee benefits	73	75
Retirement	10,101	10,293
Social Security	5,769	6,493
Contracted services	3,950	-
Telephone	3,188	3,557
Vehicle repair and maintenance	8,456	9,875
Vehicle rental	500	934
Gasoline, oil and grease	24,843	5,865
Reimbursements	(68,412)	(66,584)
Miscellaneous	241	1,658
	<u>75,993</u>	<u>70,935</u>
Total pupil transportation services		
 Central services:		
Planning and evaluation:		
Other salaries	75	-
Employee benefits:		
Retirement	11	-
Social Security	6	-
Contracted services	-	12,925
Workshops and conferences	7,048	12,992
Supplies	3,510	1,925
	<u>10,650</u>	<u>27,842</u>
Communication services:		
Other communication	8,540	7,435
 Staff/personnel services:		
Physical exams	7,346	6,343
Wellness program	-	1,464
Workshops and conferences	4,388	3,345
	<u>11,734</u>	<u>11,152</u>

(Continued)

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2005 and 2004**

	2005	2004
Management information services:		
Other salaries	\$ 112,942	\$ 110,290
Employee benefits:		
Employee insurance	5,723	23,408
Retirement	16,190	14,327
Social Security	8,603	8,437
Other professional services	5	14,681
Supplies	1,210	4,094
	<u>144,673</u>	<u>175,237</u>
Total central services	175,597	221,666
Community services:		
Non public school pupils:		
Workshops and conferences	1,669	1,581
Before and after child care:		
Salaries:		
Supervisor	45,182	43,409
Clerical	18,649	18,257
Paraprofessionals	115,873	97,941
Employee benefits:		
Employee insurance	25,323	21,503
Retirement	25,778	20,264
Social Security	14,046	12,030
Cash in lieu of benefits	4,332	1,394
Workshops and conferences	85	-
Other supplies and materials	17,129	20,689
New equipment and furniture	1,604	141
Miscellaneous	8,433	9,574
	<u>276,434</u>	<u>245,202</u>
Total community services	278,103	246,783
Capital outlay:		
Site improvements	52,955	49,844
Debt service:		
Principal repayment	65,000	61,000
Interest and fiscal charges	1,966	5,778
	<u>66,966</u>	<u>66,778</u>
Interdistrict:		
Special education tuition	77,407	189,381
Special education - transportation	110,322	203,948
Special education - itinerents	463,853	-
Other	393	-
	<u>651,975</u>	<u>393,329</u>
Total interdistrict	651,975	393,329
<b>Total Expenditures</b>	<u><u>\$ 23,837,568</u></u>	<u><u>\$ 22,485,602</u></u>

## **NONMAJOR FUNDS**



**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2005**

	Special Revenue	
	Food Service	Athletics
<b>Assets</b>		
Cash equivalents	\$ 44,450	\$ 57,512
Investments	-	-
Taxes receivable	-	-
Due from other funds	-	-
Due from other governmental units	6,227	-
Inventory	13,182	-
Prepaid expenditures	-	-
<b>Total Assets</b>	<b>\$ 63,859</b>	<b>\$ 57,512</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 60,949	\$ -
Due to other funds		5,387
Due to other governmental units	437	2,410
Salaries payable	-	11,128
Deferred revenue	-	-
<b>Total Liabilities</b>	<b>61,386</b>	<b>18,925</b>
<b>Fund Balances</b>		
Reserved for debt service	-	-
Reserved for capital outlay	-	-
Unreserved:		
Undesignated	2,473	38,587
<b>Total Fund Balances</b>	<b>2,473</b>	<b>38,587</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 63,859</b>	<b>\$ 57,512</b>

Debt Service				Capital Projects 2000 Construction	Total
1996	2000	2001	2005		
\$ 25,165	\$ 22,578	\$ 28,233	\$ 2,736	\$ -	\$ 180,674
-	-	-	-	2,079	2,079
10,528	3,273	6,587	180	-	20,568
-	-	-	-	429	429
-	-	-	-	-	6,227
-	-	-	-	-	13,182
-	30	-	-	-	30
<u>\$ 35,693</u>	<u>\$ 25,881</u>	<u>\$ 34,820</u>	<u>\$ 2,916</u>	<u>\$ 2,508</u>	<u>\$ 223,189</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,949
-	369	425	-	858	7,039
-	-	-	-	-	2,847
-	-	-	-	-	11,128
10,528	3,273	6,587	180	-	20,568
<u>10,528</u>	<u>3,642</u>	<u>7,012</u>	<u>180</u>	<u>858</u>	<u>102,531</u>
25,165	22,239	27,808	2,736	-	77,948
-	-	-	-	1,650	1,650
-	-	-	-	-	41,060
<u>25,165</u>	<u>22,239</u>	<u>27,808</u>	<u>2,736</u>	<u>1,650</u>	<u>120,658</u>
<u>\$ 35,693</u>	<u>\$ 25,881</u>	<u>\$ 34,820</u>	<u>\$ 2,916</u>	<u>\$ 2,508</u>	<u>\$ 223,189</u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Combining Schedule of Revenues, Expenditures and Changes in**  
**Fund Balances - Nonmajor Governmental Funds**  
**For the year ended June 30, 2005**

	Special Revenue	
	Food Service	Athletics
<b>Revenues</b>		
Local sources:		
Property taxes	\$ -	\$ -
Interest earnings	-	-
Sales and admissions	695,527	377,216
Total local sources	695,527	377,216
State sources	28,487	-
Federal sources	91,824	-
<b>Total Revenues</b>	<b>815,838</b>	<b>377,216</b>
<b>Expenditures</b>		
Current:		
Food service	832,569	-
Athletics	-	815,744
Capital outlay	-	-
Debt service:		
Principal repayment	-	-
Interest and fiscal charges	-	-
Bond issuance costs	-	-
Underwriter's discount	-	-
<b>Total Expenditures</b>	<b>832,569</b>	<b>815,744</b>
<b>Excess (Deficiency) of Revenues         Over Expenditures</b>	<b>(16,731)</b>	<b>(438,528)</b>
<b>Other Financing Sources (Uses)</b>		
Refunding bonds issued	-	-
Bond premium	-	-
Loan proceeds	-	-
Transfers in	-	433,016
Payments to escrow agent	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>433,016</b>
<b>Net Change in Fund Balances</b>	<b>(16,731)</b>	<b>(5,512)</b>
<b>Fund Balances, July 1</b>	<b>19,204</b>	<b>44,099</b>
<b>Fund Balances, June 30</b>	<b>\$ 2,473</b>	<b>\$ 38,587</b>

Debt Service				Capital Projects 2000 Construction	Total
1996	2000	2001	2005		
\$ 1,580,263	\$ 705,357	\$ 1,310,174	\$ 89,255	\$ -	\$ 3,685,049
-	39,716			997	40,713
-	-	-	-	-	1,072,743
1,580,263	745,073	1,310,174	89,255	997	4,798,505
-	-	-	-	-	28,487
-	-	-	-	-	91,824
1,580,263	745,073	1,310,174	89,255	997	4,918,816
-	-	-	-	-	832,569
-	-	-	-	-	815,744
-	-	-	-	201,028	201,028
925,000	575,000	65,000		-	1,565,000
61,198	158,301	1,232,482	609,962	-	2,061,943
148,252	-	-	-	-	148,252
99,997	-	-	-	-	99,997
1,234,447	733,301	1,297,482	609,962	201,028	5,724,533
345,816	11,772	12,692	(520,707)	(200,031)	(805,717)
25,125,000	-	-	-	-	25,125,000
1,150,374	-	-	-	-	1,150,374
-	-	-	523,443	-	523,443
-	-	-	-	-	433,016
(26,653,600)	-	-	-	-	(26,653,600)
(378,226)	-	-	523,443	-	578,233
(32,410)	11,772	12,692	2,736	(200,031)	(227,484)
57,575	10,467	15,116	-	201,681	348,142
\$ 25,165	\$ 22,239	\$ 27,808	\$ 2,736	\$ 1,650	\$ 120,658

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Food Service Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2005**

	2005			2004
	Budget	Actual	Variance - Positive (Negative)	Actual
<b>Revenues</b>				
Local sources:				
Sales and admissions	\$ 666,167	\$ 695,527	\$ 29,360	\$ 675,508
State sources	20,000	28,487	8,487	34,171
Federal sources	80,000	91,824	11,824	94,478
<b>Total Revenues</b>	<u>766,167</u>	<u>815,838</u>	<u>49,671</u>	<u>804,157</u>
<b>Expenditures</b>				
Current:				
Food service	<u>762,688</u>	<u>832,569</u>	<u>(69,881)</u>	<u>782,783</u>
<b>Net Change in Fund Balances</b>	3,479	(16,731)	(20,210)	21,374
<b>Fund Balances, July 1</b>	<u>19,204</u>	<u>19,204</u>	<u>-</u>	<u>(2,170)</u>
<b>Fund Balances, June 30</b>	<u>\$ 22,683</u>	<u>\$ 2,473</u>	<u>\$ (20,210)</u>	<u>\$ 19,204</u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Athletics Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2005**

	2005			2004
	Budget	Actual	Variance - Positive (Negative)	Actual
<b>Revenues</b>				
Local sources:				
Sales and admissions	\$ 367,944	\$ 377,216	\$ 9,272	\$ 410,916
<b>Expenditures</b>				
Current:				
Athletics	825,285	815,744	9,541	759,002
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(457,341)	(438,528)	18,813	(348,086)
<b>Other Financing Sources</b>				
Transfers in	462,325	433,016	(29,309)	423,961
<b>Net Change in Fund Balances</b>	4,984	(5,512)	(10,496)	75,875
<b>Fund Balances, July 1</b>	44,099	44,099	-	(31,776)
<b>Fund Balances, June 30</b>	<u>\$ 49,083</u>	<u>\$ 38,587</u>	<u>\$ (10,496)</u>	<u>\$ 44,099</u>

## **SPECIAL REVENUE FUNDS**

*Food Service*—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

*Athletics*—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Food Service Special Revenue Fund**  
**Comparative Balance Sheet**  
**June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Cash equivalents	\$ 44,450	\$ 27,055
Accounts receivable	-	130
Due from other governmental units	6,227	15,158
Inventory	<u>13,182</u>	<u>13,182</u>
<b>Total Assets</b>	<u><u>\$ 63,859</u></u>	<u><u>\$ 55,525</u></u>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 60,949	\$ 11,641
Due to other funds	-	24,118
Due to other governmental units	<u>437</u>	<u>562</u>
<b>Total Liabilities</b>	<u>61,386</u>	<u>36,321</u>
<b>Fund Balances</b>		
Unreserved:		
Undesignated	<u>2,473</u>	<u>19,204</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 63,859</u></u>	<u><u>\$ 55,525</u></u>



**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Food Service Special Revenue Fund**  
**Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2005 and 2004**

	2005	2004
<b>Revenues</b>		
Local sources:		
Sales and admissions:		
Children's lunches	\$ 339,413	\$ 315,394
Adult lunches	93,610	63,760
Milk	8,464	8,828
Ala carte	218,744	245,509
Vending machines	36,919	41,037
Other	1,623	980
Total local sources	<u>695,527</u>	<u>675,508</u>
State sources	28,487	34,171
Federal sources	<u>91,824</u>	<u>94,478</u>
<b>Total Revenues</b>	<u>815,838</u>	<u>804,157</u>
<b>Expenditures</b>		
Current:		
Food service:		
Food service salaries	200,626	194,657
Employee benefits:		
Employee insurance	22,619	24,164
Retirement	29,477	25,286
Social Security	15,458	15,038
Unemployment compensation	-	7,329
Contracted services	150,515	129,584
Local travel	33	-
Telephone	639	1,341
Advertising and printing	177	911
Equipment repair and maintenance	230	479
Vending machines	-	5,995
Food	361,950	343,091
Non-edible supplies	27,937	29,532
Gasoline, oil and grease	899	962
Uniforms	1,723	1,471
New equipment and furniture	17,401	210
Dues and fees	-	240
Miscellaneous	<u>2,885</u>	<u>2,493</u>
<b>Total Expenditures</b>	<u>832,569</u>	<u>782,783</u>
<b>Net Change in Fund Balances</b>	(16,731)	21,374
<b>Fund Balances, July 1</b>	<u>19,204</u>	<u>(2,170)</u>
<b>Fund Balances, June 30</b>	<u><u>\$ 2,473</u></u>	<u><u>\$ 19,204</u></u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Athletics Special Revenue Fund**  
**Comparative Balance Sheet**  
**June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Cash equivalents	<u>\$ 57,512</u>	<u>\$ 63,212</u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 617
Due to other funds	5,387	4,782
Due to other governmental units	2,410	2,291
Salaries payable	<u>11,128</u>	<u>11,423</u>
<b>Total Liabilities</b>	<u>18,925</u>	<u>19,113</u>
<b>Fund Balances</b>		
Unreserved:		
Undesignated	<u>38,587</u>	<u>44,099</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 57,512</u>	<u>\$ 63,212</u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Athletics Special Revenue Fund**  
**Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Revenues</b>		
Local sources:		
Sales and admissions:		
Admissions	\$ 100,350	\$ 116,385
Season tickets	12,625	11,206
Resale supplies	37,746	12,178
Participation fees	108,074	96,115
Tournament revenue	55,889	106,961
Fundraisers	<u>62,532</u>	<u>68,071</u>
<b>Total Revenues</b>	<u>377,216</u>	<u>410,916</u>
<b>Expenditures</b>		
Current:		
Athletics:		
Salaries:		
Director	128,373	123,232
Coaches	239,909	226,622
Trainer	32,231	30,959
Other	21,419	6,615
Employee benefits:		
Employee insurance	5,253	5,768
Retirement	49,071	40,918
Social Security	26,521	25,857
Unemployment compensation	119	724
Contracted services	4,539	291
Officials and workers	25,659	25,885
Local travel	16,670	10,583
Transportation reimbursement	34,542	42,748
Equipment repair and maintenance	2,099	3,826
Resale supplies	48,445	10,177
Supplies and expenses	20,092	21,918
Tournament expense	59,352	100,458
Fundraisers	56,034	62,622
Miscellaneous	<u>45,416</u>	<u>19,799</u>
<b>Total Expenditures</b>	<u>815,744</u>	<u>759,002</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(438,528)</u>	<u>(348,086)</u>
<b>Other Financing Sources</b>		
Transfers in	<u>433,016</u>	<u>423,961</u>
<b>Net Change in Fund Balances</b>	(5,512)	75,875
<b>Fund Balances, July 1</b>	<u>44,099</u>	<u>(31,776)</u>
<b>Fund Balances, June 30</b>	<u><u>\$ 38,587</u></u>	<u><u>\$ 44,099</u></u>

## **DEBT SERVICE FUNDS**

*Debt Service Funds*—To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Debt Service Funds**  
**Combining Balance Sheet**  
**June 30, 2005**

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	<u>1996</u>	<u>2000</u>	<u>2001</u>
<b>Assets</b>			
Cash equivalents	\$ 25,165	\$ 22,578	\$ 28,233
Taxes receivable	10,528	3,273	6,587
Prepaid expenditures	<u>-</u>	<u>30</u>	<u>-</u>
<b>Total Assets</b>	<u><u>\$ 35,693</u></u>	<u><u>\$ 25,881</u></u>	<u><u>\$ 34,820</u></u>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Due to other funds	\$ -	\$ 369	\$ 425
Deferred revenue	<u>10,528</u>	<u>3,273</u>	<u>6,587</u>
<b>Total Liabilities</b>	<u>10,528</u>	<u>3,642</u>	<u>7,012</u>
<b>Fund Balances</b>			
Reserved for debt service	<u>25,165</u>	<u>22,239</u>	<u>27,808</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 35,693</u></u>	<u><u>\$ 25,881</u></u>	<u><u>\$ 34,820</u></u>

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2005	Totals	
	2005	2004
\$ 2,736	\$ 78,712	\$ 83,197
180	20,568	17,681
-	30	-
<u>\$ 2,916</u>	<u>\$ 99,310</u>	<u>\$ 100,878</u>

\$ -	\$ 794	\$ 39
180	20,568	17,681
<u>180</u>	<u>21,362</u>	<u>17,720</u>
<u>2,736</u>	<u>77,948</u>	<u>83,158</u>
<u>\$ 2,916</u>	<u>\$ 99,310</u>	<u>\$ 100,878</u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Debt Service Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2005**

	1996	2000	2001
<b>Revenues</b>			
Local sources:			
Property taxes:			
Current property taxes	\$ 1,575,441	\$ 703,202	\$ 1,306,178
Delinquent property taxes	209	93	163
Interest on delinquent taxes	4,613	2,062	3,833
	<u>1,580,263</u>	<u>705,357</u>	<u>1,310,174</u>
Interest earnings:			
Interest on deposits	-	39,716	-
	<u>-</u>	<u>39,716</u>	<u>-</u>
<b>Total Revenues</b>	<u>1,580,263</u>	<u>745,073</u>	<u>1,310,174</u>
<b>Expenditures</b>			
Debt service:			
Principal repayment	925,000	575,000	65,000
Interest and fiscal charges:			
Interest expense	55,500	156,688	1,230,375
Paying agent fees	-	-	425
Tax refunds	5,698	1,613	1,682
Bond issuance costs	148,252	-	-
Underwriter's discount	99,997	-	-
	<u>1,234,447</u>	<u>733,301</u>	<u>1,297,482</u>
<b>Total Expenditures</b>	<u>1,234,447</u>	<u>733,301</u>	<u>1,297,482</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>345,816</u>	<u>11,772</u>	<u>12,692</u>
<b>Other Financing Sources (Uses)</b>			
Refunding bonds issued	25,125,000	-	-
Bond premium	1,150,374	-	-
Loan proceeds	-	-	-
Payments to escrow agent	(26,653,600)	-	-
	<u>(378,226)</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(378,226)</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(32,410)</u>	<u>11,772</u>	<u>12,692</u>
<b>Fund Balances, July 1</b>	<u>57,575</u>	<u>10,467</u>	<u>15,116</u>
<b>Fund Balances, June 30</b>	<u>\$ 25,165</u>	<u>\$ 22,239</u>	<u>\$ 27,808</u>

2005	Totals	
	2005	2004
\$ 88,994	\$ 3,673,815	\$ 3,494,626
-	465	-
261	10,769	9,838
<u>89,255</u>	<u>3,685,049</u>	<u>3,504,464</u>
-	39,716	26,461
<u>89,255</u>	<u>3,724,765</u>	<u>3,530,925</u>
-	1,565,000	1,460,000
609,962	2,052,525	2,795,525
-	425	625
-	8,993	-
-	148,252	-
-	99,997	-
<u>609,962</u>	<u>3,875,192</u>	<u>4,256,150</u>
<u>(520,707)</u>	<u>(150,427)</u>	<u>(725,225)</u>
-	25,125,000	-
-	1,150,374	-
523,443	523,443	722,349
-	(26,653,600)	-
<u>523,443</u>	<u>145,217</u>	<u>722,349</u>
2,736	(5,210)	(2,876)
-	83,158	86,034
<u>\$ 2,736</u>	<u>\$ 77,948</u>	<u>\$ 83,158</u>



## **CAPITAL PROJECTS FUNDS**

*Building and Site*—to account for property tax revenues and interest earnings used to finance building restoration projects.

*2000 Construction*—to account for bond proceeds used to finance building construction and renovation projects.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Building and Site Capital Projects Fund**  
**Comparative Balance Sheet**  
**June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Cash equivalents	\$ 918,142	\$ 1,211,705
Taxes receivable	1,240	1,052
Due from other funds	<u>49,464</u>	<u>-</u>
<b>Total Assets</b>	<u><u>\$ 968,846</u></u>	<u><u>\$ 1,212,757</u></u>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Due to other funds	\$ 429	\$ 233
Deferred revenue	<u>1,240</u>	<u>1,052</u>
<b>Total Liabilities</b>	<u>1,669</u>	<u>1,285</u>
<b>Fund Balances</b>		
Reserved for capital outlay	<u>967,177</u>	<u>1,211,472</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 968,846</u></u>	<u><u>\$ 1,212,757</u></u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Building and Site Capital Projects Fund**  
**Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Revenues</b>		
Local sources:		
Property taxes:		
Current property taxes	\$ 211,112	\$ 204,358
Interest on delinquent taxes	613	575
	<u>211,725</u>	<u>204,933</u>
Other local sources:		
Donations	-	95,000
Interest earnings:		
Interest on deposits	<u>28,807</u>	<u>11,983</u>
<b>Total Revenues</b>	<u>240,532</u>	<u>311,916</u>
<b>Expenditures</b>		
Business services:		
Tax refunds	526	-
Capital outlay:		
Building improvements	<u>484,301</u>	<u>425,901</u>
<b>Total Expenditures</b>	<u>484,827</u>	<u>425,901</u>
<b>Net Change in Fund Balances</b>	(244,295)	(113,985)
<b>Fund Balances, July 1</b>	<u>1,211,472</u>	<u>1,325,457</u>
<b>Fund Balances, June 30</b>	<u><u>\$ 967,177</u></u>	<u><u>\$ 1,211,472</u></u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**2000 Construction Capital Projects Fund**  
**Comparative Balance Sheet**  
**June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Investments	\$ 2,079	\$ 116,182
Due from other funds	<u>429</u>	<u>85,499</u>
<b>Total Assets</b>	<u><u>\$ 2,508</u></u>	<u><u>\$ 201,681</u></u>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Due to other funds	<u>\$ 858</u>	<u>\$ -</u>
<b>Fund Balances</b>		
Reserved for capital outlay	<u>1,650</u>	<u>201,681</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 2,508</u></u>	<u><u>\$ 201,681</u></u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**2000 Construction Capital Projects Fund**  
**Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Revenues</b>		
Interest earnings:		
Interest on investments	\$ 997	\$ 1,617
<b>Expenditures</b>		
Capital outlay:		
Arbitrage rebate	114,730	-
Architectural fees	-	889
Building improvements	-	8,234
New equipment and furniture	86,298	184,522
<b>Total Expenditures</b>	<u>201,028</u>	<u>193,645</u>
<b>Net Change in Fund Balances</b>	(200,031)	(192,028)
<b>Fund Balances, July 1</b>	<u>201,681</u>	<u>393,709</u>
<b>Fund Balances, June 30</b>	<u><u>\$ 1,650</u></u>	<u><u>\$ 201,681</u></u>

## **AGENCY FUND**

*Student Activities*—to account for the collection and disbursements of monies used by the school activity clubs and groups.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Student Activities Agency Fund**  
**Statement of Changes in Assets and Liabilities**  
**For the year ended June 30, 2005**

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	Balances July 1, 2004	Additions	Deductions	Balances June 30, 2005
<b>Assets</b>				
Cash equivalents	\$ 245,782	\$ 502,783	\$ 480,654	\$ 267,911
Accounts receivable	16	4,356	-	4,372
Due from other funds	6,519	13,568	16,637	3,450
	<u>\$ 252,317</u>	<u>\$ 520,707</u>	<u>\$ 497,291</u>	<u>\$ 275,733</u>
<b>Liabilities</b>				
Due to student groups	<u>\$ 252,317</u>	<u>\$ 546,717</u>	<u>\$ 523,301</u>	<u>\$ 275,733</u>

## **OTHER INFORMATION**



**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Summary of 2004 Taxes Levied and Collected**  
**For the year ended June 30, 2005**

	Kent County		
	City of East Grand Rapids	Township of Grand Rapids	Total
<b>Taxable Valuations</b>			
Operating	\$ 59,562,004	\$ 1,649,171	\$ 61,211,175
Recreation/Debt Service/Building & Site	434,507,235	28,543,355	463,050,590
<b>Rates (Mills)</b>			
General Fund - Operating			17.3182
General Fund - Recreation			1.4000
1996 Debt Service Fund			3.4050
2000 Debt Service Fund			1.5220
2001 Debt Service Fund			2.8300
2004 Debt Service Fund			0.1930
Building and Site Fund			0.4569
			<u>27.1251</u>
<b>Taxes Levied 2004 Rolls</b>			
General Fund - Operating	\$ 711,578	\$ 28,561	\$ 740,139
General Fund - Recreation	608,293	39,962	648,255
1996 Debt Service Fund	1,479,481	97,196	1,576,677
2000 Debt Service Fund	661,313	43,441	704,754
2001 Debt Service Fund	1,229,642	80,772	1,310,414
2004 Debt Service Fund	83,859	5,509	89,368
Building and Site Fund	198,524	13,040	211,564
	<u>4,972,690</u>	<u>308,481</u>	<u>5,281,171</u>
<b>Taxes Uncollected 2004 Rolls</b>			
General Fund - Operating	16,215	-	16,215
General Fund - Recreation	1,331	-	1,331
1996 Debt Service Fund	3,175	-	3,175
2000 Debt Service Fund	1,420	-	1,420
2001 Debt Service Fund	2,641	-	2,641
2004 Debt Service Fund	180	-	180
Building and Site Fund	434	-	434
	<u>25,396</u>	<u>-</u>	<u>25,396</u>
<b>Taxes Collected 2004 Rolls</b>			
General Fund - Operating	695,363	28,561	723,924
General Fund - Recreation	606,962	39,962	646,924
1996 Debt Service Fund	1,476,306	97,196	1,573,502
2000 Debt Service Fund	659,893	43,441	703,334
2001 Debt Service Fund	1,227,001	80,772	1,307,773
2004 Debt Service Fund	83,679	5,509	89,188
Building and Site Fund	198,090	13,040	211,130
	<u>4,947,294</u>	<u>308,481</u>	<u>5,255,775</u>
<b>Delinquent Taxes Collected</b>			
General Fund	968	-	968
1996 Debt Service Fund	209	-	209
2000 Debt Service Fund	93	-	93
2001 Debt Service Fund	163	-	163
Building and Site Fund	-	-	-
	<u>1,433</u>	<u>-</u>	<u>1,433</u>

(Continued)

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**Summary of 2004 Taxes Levied and Collected**  
**For the year ended June 30, 2005**

	Kent County		
	City of East Grand Rapids	Township of Grand Rapids	Total
<b>Total Taxes Collected</b>			
General Fund - Operating	\$ 696,331	\$ 28,561	\$ 724,892
General Fund - Recreation	607,171	39,962	647,133
1996 Debt Service Fund	1,476,399	97,196	1,573,595
2000 Debt Service Fund	660,056	43,441	703,497
2001 Debt Service Fund	1,227,001	80,772	1,307,773
2004 Debt Service Fund	85,112	5,509	90,621
Building and Site Fund	198,090	13,040	211,130
	<u>\$ 4,950,160</u>	<u>\$ 308,481</u>	<u>\$ 5,258,641</u>
<b>Taxes Uncollected – June 30, 2005</b>			
General Fund - Operating:			
2004	\$ 16,215	\$ -	\$ 16,215
2003	12,932	1,928	14,860
2002	12,426	1,853	14,279
	<u>41,573</u>	<u>3,781</u>	<u>45,354</u>
General Fund - Recreation:			
2004	1,331	-	1,331
1996 Debt Service Fund:			
2004	3,175	-	3,175
2003	3,827	542	4,369
2002	2,603	381	2,984
	<u>9,605</u>	<u>923</u>	<u>10,528</u>
2000 Debt Service Fund:			
2004	1,420	-	1,420
2003	1,047	157	1,204
2002	564	85	649
	<u>3,031</u>	<u>242</u>	<u>3,273</u>
2001 Debt Service Fund:			
2004	2,641	-	2,641
2003	998	178	1,176
2002	2,416	354	2,770
	<u>6,055</u>	<u>532</u>	<u>6,587</u>
2004 Debt Service Fund:			
2004	180	-	180
Building and Site Fund:			
2004	434	-	434
2003	363	51	414
2002	343	49	392
	<u>1,140</u>	<u>100</u>	<u>1,240</u>
<b>Total Taxes Uncollected</b>	<u>\$ 62,915</u>	<u>\$ 5,578</u>	<u>\$ 68,493</u>

Hungerford, Aldrin,  
Nichols & Carter, P.C.  

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C P A s   A N D   C O N S U L T A N T S

September 08, 2005

The Board of Education  
East Grand Rapids Public Schools

The following comments pertain to our audit of the financial records of East Grand Rapids Public Schools as of and for the year ended June 30, 2005. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the District's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of East Grand Rapids Public Schools:

### **Auditors Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered East Grand Rapids Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether East Grand Rapids Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about East Grand Rapids Public School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on East Grand Rapids Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on East Grand Rapids Public School's compliance with those requirements.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by East Grand Rapids Public Schools are described in Note A to the financial statements.

### **Difficulties Encountered In Performing The Audit**

We encountered no significant difficulties in performing the audit of the financial statements of East Grand Rapids Public Schools for the year ended June 30, 2005. We found the internal control structure and accounting system to be basically adequate and operating in the manner intended.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements:

#### **General Fund**

1. \$16,578 to record 2004 delinquent personal property taxes receivable and \$9,200 to write off 2001 delinquent personal property taxes uncollected at June 30, 2005.
2. \$103,402 to record accounts receivable for 2004-05 federal program expenditures.
3. \$15,057 to adjust inventory to physical count at June 30, 2005.

#### **Food Service Fund**

1. \$21,329 to record USDA bonus and entitlement commodities received during the year.

#### **1996 Debt Service Fund**

1. \$26,275,374 to record the transactions of the advance refunding bond issue..

### **Proposed Audit Adjustments**

There were no material adjustments proposed during the audit not recorded by East Grand Rapids Public Schools.

### **Suggestions And Recommendations**

We offered suggestions and recommendations regarding the day-to-day operations of the accounting system of East Grand Rapids Public Schools to the Assistant Superintendent for Business, the Accounting Supervisor and District accounting personnel as the topics arose during the course of our audit fieldwork. Hopefully, these suggestions will ease the day-to-day operations of the business office and assist in more efficient monthly and year-end financial record keeping and reporting.

## Other Comments

The General Fund balance of the District increased by \$883,264 to \$2,981,187 at June 30, 2005. This fund balance does not include \$258,248 of deferred revenue for donations to the District that had not been collected within sixty days after the close of the fiscal year. The fund balance of \$2,981,187 represents approximately 11.55 percent of the District's 2005-06 expenditure budget, up from 8.75 percent at June 30, 2004. The fund balance would have been at 12.55 percent had the donations not been deferred. Maintaining a fund balance of at least 10 to 20 percent of the ensuing year's expenditure budget is advisable for East Grand Rapids Public Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

Our audit this year was again completed under the requirements of Statement on Auditing Standards No. 99 "Consideration of Fraud in a Financial Statement Audit" (SAS No. 99), which requires both auditors and their clients to more directly and openly assess those areas within a school district that might be susceptible to fraudulent activity, which would normally include those areas outside the central office that handle cash, inventory, supplies, etc. This is an important audit standard that requires increased face-to-face discussions/interviews with client personnel and extensive documentation of our findings for future reference. We found that East Grand Rapids Public Schools has a very extensive network of internal controls within its accounting and record keeping system, and found those tested this year to be operating in the manner intended. Working with District business office personnel, we will be testing other control areas each year as a part of our audit, with suggestions and recommendations to follow the testing each year, to assist the District in maintaining and improving its systems.

This communication is intended solely for the information and use of the East Grand Rapids Public Schools Board of Education, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Education as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to East Grand Rapids Public Schools and hope to continue to do so in the future. We also appreciate the dedication and cooperation of the District's administration and accounting personnel in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communications, we will be happy to address them.

*Hungerford, Aldrin, Nichols & Benton, P.C.*

Certified Public Accountants